DOCUMENT RESUME

ED 206 225 HE 014 246

AUTHOR King, Richard A.
TITLE The Crisis in Higher Education: Facing Reduction and Financial Exigency.
PUB DATE Apr 81
NOTE 22p.: Paper presented at the Annual Meeting of the American Educational Research Association (Los Angeles, CA, April 1981).

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS Change Strategies; College Faculty; College Students; Comparative Analysis; Declining Enrollment; Expenditures; *Financial Policy; Financial Problems; Fund Raising; Higher Education; *Personnel Policy; Policy Formation; *Private Colleges; Reduction in Force; *Retrenchment; School Surveys; *State Colleges; Student Recruitment; Teacher Dismissal
IDENTIFIERS *Institutional Survival

ABSTRACT

The development of policy to respond to reduction and financial exigency in higher education was studied, based on a survey of presidents of 19 public and 35 private colleges and universities. In addition to assessing policy development, the survey was directed to efforts to increase enrollments and revenue and to reduce expenditures and criteria for the retrenchment of faculty and staff. Fifty-nine percent of the respondents indicated that informal policies were implemented or that formal policy was being developed regarding reduction of expenditures. In contrast, formal policy related to financial exigency was in effect at 63 percent of the public and at 31 percent of the private institutions. Additionally, 30 percent indicated that exigency policy was being developed. Most institutions indicated that they would increase recruitment efforts to offset enrollment declines, and other possible responses included combining programs or merging institutions, adding or deleting program offerings, and altering institutional missions or goals. Approximately 90 percent of institutions that have experienced or expect reductions in funding indicated that increased development activities was or will be a priority action, seeking grants and gifts to supplement other revenue. Other methods to increase revenue and methods to decrease expenditures are assessed, as is the impact that a reduction of personnel would be likely to have on instructional and support staff. Criteria for the retrenchment of faculty appeared to be based primarily on program needs. Seniority received a high priority among public institutions, while performance was given to private colleges. Internal policy development and external cooperation among public and private institutions are suggested to enhance institutional survival. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED206225

The Crisis in Higher Education: Facing Reduction and Financial Exigency

Presented at the

Annual Meeting of the
American Educational Research Association

Los Angeles

1981

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

Richard A. King

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

NIE 01424 6

Richard A. King, Ph.D.
Associate Professor
Department of Educational Administration
The University of New Mexico
Albuquerque, New Mexico 87131

The current crisis in the funding of higher education can be linked to a variety of factors including spiraling costs due to double-digit inflation, enrollment declines and consequent drops in tuition and funding through student driven formulas, and economy-minded legislators responding to taxpayer revolts and demands for accountability of institutions. Dramatic decreases in enrollments and finances have led to the closing of many institutions; others faced with imminent death have declared a state of financial exigency, permitting the breaking of personnel contracts and the termination of tenured instructors.

As defined by the American Association of University Professors [11], financial exigency is "an imminent financial crisis which threatens the survival of the institution as a whole and which cannot be alleviated by less drastic means." As with any condition which threatens the functioning of an institution, the presence of fiscal exigency applies extreme pressure throughout the college or university demanding corrective actions to relieve the stress.

Reactions by college and university policymakers to confront such stress include reallocation of existing resources, reduction of programs and services, recruitment of previously underserved populations, and retrenchment of faculty and staff [8]. The focus of the investigation described in this paper is the development of policy to respond to reduction and financial exigency in higher education.

Analysis of Policy and Practices

Presidents of one hundred public and private four-year colleges and universities were surveyed regarding policies developed and actions taken to respond to exigent conditions. Questions were directed at assessing (1) the development and implementation of policy on reduction and financial exigency; (2) efforts to increase enrollments and revenues and to reduce expenditures; and (3) criteria used for the retrenchment of faculty and staff. Policies and practices which had been implemented and those which are expected in the future were identified.

Institutions were selected to represent public and private colleges and universities in states which are projected to gain or lose substantial numbers of high school graduates (thus, traditional college enrollees) between 1980 and 1995. Institutions in six states (AZ, ID, NV, TX, UT, WY) which are projected by WICHE [3] to have an increased percentage (more than 10%) of high school graduates and in five states (CT, DE, MA, NY, RI), with projected declines (more than 40%) in graduates were included in the study. The total return from 54 presidents represented public and private institutions in both sets of states: 11 public (62% of sample) and 15 (58%) private in states which project gains, and 8 (50%) public and 20 (50%) private in those states which project future losses in graduates.

Due to the similarity of responses from institutions in states projected to gain and from those in states projected to lose high school graduates, the findings reported in this paper focus on the discrepancies between public and private institutions. In addition to the number (N) of the 54 presidents who responded to each question, the number (#) who chose to rank a particular item and the average rank (AR) assigned to

items are reported in each table. For example, an entry of "6-2.67" indicates that six presidents ranked this item and that the average of ranks assigned was 2.67.

Readers should be aware of several limitations of the analysis. Although more than fifty percent of the presidents responded, the number answering particular questions may be too low to permit drawing conclusions with a high degree of confidence. An additional limitation, the difficulty of interpreting ranks of ordinal data and averages of those ranks, can be illustrated by several examples. A rank of 1 might indicate a very strong policy or action by one president, while indicating merely the most likely action by another president. Moreover, an average rank of 2.0 indicates only the relative ranking of a particular response and thus should not be interpreted as being twice as likely as an item ranked 4.0. It should also be noted that institutions which chose to check (X) rather than to rank possible responses were included in the tabulation. In these cases, an average value was assigned to check marks: if one response was checked, a value of one was assigned; if two were checked, a value of 1.5 was given; if three were checked, a value of 2.0 was assigned to each response, and so forth. For each of these reasons, caution should be used in interpreting the findings.

Policy Development and Implementation

Very few of the responding presidents indicated that formal policy on reduction of expenditures had been developed. Although only three of the fifty-four institutions had a policy in effect, thirty-two (59%) indicated that informal policies were implemented or that formal policy was being

developed. In contrast, formal policy related to financial exigency was in effect at 63 percent of the public and at 31 percent of the private institutions. An additional sixteen (30%) presidents indicated that exigency policy was being developed. As expected, a higher percentage of institutions in states with declining numbers of high school graduates (46%) than those with increasing graduates (38%) had formal policy on exigency in effect.

Responsibility for the development of policy related to financial exigency falls most heavily on administrators, with a high degree of involvement by joint faculty/administrative committees and boards of trustees as is indicated in Table 1. Presidents of public institutions tended to rank the cooperative involvement of faculty and administrators higher, while those of private institutions ranked administrative involvement very high. Although Boards of Trustees are included in the development process, their degree of involvement does not appear to be as high as that of administrators or faculty.

TABLE 1

Involvement in The Development of Policy on Financial Exigency

	Public (N=14)	Private (N=16)	Total (N=30)
	# AR	# AR	# AR
Legislature	5-3.80	0-0.00	5-3.80
Board of trustees	13-2.69	12-2.29	25-2.50
Faculty	10-3.07	9-2.22	19-2.66
Administration	11-2.32	10-1.45	21-1.91
Joint faculty/administration committee	9-1.89	8-2.00	17-1.94
AAUP Policy Documents Report	3-2.67	5-3.00	8-2.88
Other (faculty union specified)	1-1.00	1-1.00	2-1.00

Note: The number of institutions (N) responding to this question is further broken down by the number (#) which ranked the involvement of each possible choice; in addition, the average rank (AR) reports the mean of ranks assigned each choice by respondents.

Although colleges, divisions and departments are responsible for implementing such policy, central administration appears to have the greatest responsibility for making decisions relative to reduction and exigency. Presidents of public institutions indicated a heavier involvement of central administration in the implementation of exigency policy, in contrast to a tendency to report a cooperative involvement at all levels in private institutions.

A total of eight of the fifty-four colleges and universities had declared a condition of financial exigency. Problems of reduction and exigency do not appear to be unique to any one type of institution, as four public and four private had declared exigency, nor to any particular area of the country, as four in states projected to gain and four institutions in states projected to lose high school graduates had entered a condition of exigency. Of the twelve indicating that such a condition is likely in the future, ten (six public and four private) are in states with declining graduates.

Although many factors influence a decision to declare a condition of financial exigency, a reduction in total revenue or in the number of students in attendance will have a direct bearing on available resources and, thus, on a decision to involve drastic measures to counter decline. Policies on financial exigency do not generally specify at what percentage decline in revenue or enrollment an institution will enter such a condition; presidents were asked to indicate at what point in a reduction phase their institution entered, or would be likely to enter, a condition of financial exigency. Presidents of three public institutions responded that a budget

reduction of approximately five to ten percent was critical in the decision to enter financial exigency while presidents of two private institutions indicated that a reduction of ten to twenty percent in student enrollment had been critical. An additional fifteen presidents indicated that a reduction of about thirteen percent in the budget would be critical in making such a decision; seventeen presidents responded that enrollments would have to drop approximately seventeen percent before imposing financial exigency.

Increasing Enrollment and Revenue While Reducing Expenditures

Formal and informal policy decisions to counter potential exigent conditions take varied forms. Institutions may choose to attract a different clientele, to take strides to increase revenue, to make attempts to cut the operating budget, or to develop a plan of action which combines these approaches and others. Presidents of the fifty-four colleges and universities responded to questions regarding actions which have been taken or which are anticipated in the future.

Responses from presidents of sixteen institutions which have experienced and from thirty-seven which expect declines in enrollments are presented as Table 2. The overwhelming response from approximately eighty percent of the institutions is to increase recruitment efforts to offset enrollment declines. Institutions which expect declining enrollment anticipate to react by either adding or, particularly for private institutions, deleting program offerings. Those which have faced decline have reacted more often by adding program offerings, suggesting that added offerings serve to attract sufficient students to offset added costs or that the deletion of program offerings is in reality a difficult task. Fewer than one-third

TABLE 2

Methods to Counter Enrollment Decline

	Decline Experienced			Decline Expected		
	Public (N=7)	Private (N=9)	Total (N=16)	Public (N=10)	Private (N=27)	Total (N=37)
	# AR	# AR	# AR	# AR	# AR	# AR
Altered mission or goals	3-2.33	2-1.75	5-2.10	5-2.60	7-3.43	12-3.09
Combined programs or merged institutions	2-2.50	2-2.50	4-2.50	2-3.50	12-3.34	14-3.36
Increased recruitment	6-1.75	7-1.50	13-1.62	6-1.67	23-1.43	29-1.48
Added program offerings	6-2.35	6-2.09	12-2.21	5-2.10	13-2.31	18-2.25
Deleted program offerings	3-2.17	2-2.50	5-2.30	4-2.75	16-2.75	20-2.75
Little or no action	1-5.00	0-0.00	1-5.00	3-4.00	5-5.20	8-4.75
Other	2-3.00	0-0.00	2-3.00	2-1.75	4-2.00	6-1.92

of the institutions indicate that missions or goals have or would likely be altered; private institutions appear to anticipate cooperative arrangements with other institutions in the future. Other actions specified include the strengthening of advisement for students, undertaking marketing surveys to determine client needs, and enhancing the quality of education at the institution.

Methods utilized or anticipated to increase revenue as a measure to counter reductions in funding are indicated in Table 3. Approximately ninety percent of the presidents of institutions which have experienced or

TABLE 3

Methods to Increase Revenue

	Reduction Experienced						Reduction Expected					
	Public (N=9)		Private (N=6)		Total (N=15)		Public (N=8)		Private (N=27)		Total (N=35)	
	#	AR	#	AR	#	AR	#	AR	#	AR	#	AR
Seek Legislative support	7	1.43	3	3.83	10	1.78	6	1.33	13	3.19	19	2.61
Increase development	7	2.00	6	1.67	13	1.85	8	1.94	25	2.00	33	1.98
Increase tuition and fees	6	2.42	6	2.17	12	2.29	3	2.17	24	2.38	27	2.35
Increase alumni contributions	4	2.13	4	2.38	8	2.26	6	3.17	24	2.25	30	2.47
Sale of property	1	5.00	2	3.00	3	3.67	0	0.00	8	4.50	8	4.50
Other (increase recruitment specified)	1	1.00	0	0.00	1	1.00	0	0.00	0	0.00	0	0.00

expect reductions indicated that increased development activities was or will be a priority action, seeking grants and gifts to supplement other revenue. While public colleges and universities have traditionally approached legislatures for increased support, private institutions have had to rely on other sources of revenue. The reluctance to increase tuition and fees with its potential effect on student enrollment is reflected in the responses of institutional presidents.

Concurrent with securing additional revenue, institutions have taken or expect to take measures to reduce expenditures, as indicated in Table 4. Public institutions have turned to a wide range of actions, including the reduction

of personnel, operation and maintenance, and materials and equipment; the increasing of class size; and the establishment of a management information system (such as MBO, PERT, PPBS, ZBB, etc.). Of these options, private colleges and universities have relied primarily on the establishment of a management information system and on the reduction of personnel, operation and maintenance and programmatic duplication. The reduction of programmatic duplication is a very high priority measure among institutions which expect to face such reductions in the future. Although increasing class size is indicated as a high priority response among many of these institutions, it was not given as high a priority among those colleges and universities which have implemented reductions. Two private institutions specified other methods to reduce expenditures: the reduction of facilities and an increase in cooperative efforts with other colleges.

TABLE 4

Methods to Reduce Expenditures

	Reduction Experienced			Reduction Expected		
	Public (N=10)	Private (N=10)	Total (N=20)	Public (N=11)	Private (N 26)	Total (N=37)
	# AR	# AR	# AR	# AR	# AR	# AR
Increase class size	5-2.20	7-3.26	12-2.90	5-2.40	19-2.48	24-2.47
Reduce materials and equipment	6-2.33	5-3.20	11-2.73	7-3.36	11-3.55	18-3.47
Reduce operation and maintenance	6-2.00	5-2.80	11-2.46	7-3.29	16-3.13	23-3.17
Reduce programmatic duplication	3-2.00	4-2.37	7-2.21	10-1.75	22-2.07	32-1.97
Reduce personnel	6-2.00	7-2.43	13-2.23	8-2.88	25-2.73	33-2.77
Reduce student services	2-2.50	3-4.17	5-3.50	8-4.38	10-4.75	18-4.59
Establish management system	6-2.34	6-1.67	13-1.85	1-3.00	5-3.60	6-3.50
Other	0-0.00	0-0.00	0-0.00	0-0.00	2-3.50	2-3.50

Reduction of Personnel

As was indicated in Table 4, presidents of colleges and universities view the reduction of personnel to be a high priority approach to ease the stress created under potentially exigent conditions. An assessment of the impact which such a reduction has had or would be likely to have on instructional and support staff is presented as Table 5.

TABLE 5

Impact of Reduction in Personnel

	Reduction Experienced			Reduction Expected		
	Public (N=7)	Private (N=6)	Total (N=13)	Public (N=12)	Private (N=23)	Total (N=35)
	# AR	# AR	# AR	# AR	# AR	# AR
Administrative staff	5-2.20	5-2.20	10-2.30	12-2.92	16-3.08	28-3.01
Non-instructional staff	3-2.00	6-2.75	9-2.61	10-2.30	19-2.47	29-2.42
Student affairs staff	3-3.33	3-3.33	6-3.64	9-3.78	15-4.00	24-3.92
Tenured instructors	2-5.00	2-4.00	4-4.50	9-6.11	9-6.16	18-6.14
Non-tenured instructors	4-2.00	6-3.08	10-2.65	11-4.09	19-2.77	30-3.25
Part-time instructors	4-1.50	3-2.67	7-2.00	10-2.60	20-2.18	30-2.32
Teaching assistants	4-2.00	0-0.00	4-2.00	8-3.38	7-3.14	15-3.27

For institutions which have experienced a reduction, the greatest impact has been felt by administrative and non-instructional staff in both public and private institutions. Non-tenured and part-time instructors appear to have been retrenched in cost-cutting efforts, particularly in public colleges and universities. As expected, tenured instructors have been relatively immune from actions to reduce personnel. In those institutions which anticipate reduction, non-tenured instructors and administrators appear to be more secure than are part-time faculty and non-instructional staff. It is interesting to note that non-tenured and part-time faculty in public institutions appear to be less likely to be retrenched than are their counterparts in private colleges.

Student affairs staff appear to have high security at all institutions. Teaching assistants, given relatively high security by public and private institutions which expect reductions, have been retrenched by public but not by private colleges and universities.

Criteria for the retrenchment of faculty appear to be based primarily on program needs, as is indicated in Table 6. Seniority received a high priority among public institutions, while performance was given higher priority by private colleges and universities. Interestingly, affirmative action has been given very low priority in retrenchment decisions actually made or anticipated.

TABLE 6

Criteria for Retrenchment of Personnel

	Reduction Experienced			Reduction Expected		
	Public (N=5)	Private (N=6)	Total (N=11)	Public (N=13)	Private (N=29)	Total (N=42)
	# AR	# AR	# AR	# AR	# AR	# AR
Program needs	5-1.30	4-1.38	9-1.53	12-1.25	26-1.27	38-1.26
Seniority	4-1.75	1-1.50	5-1.70	9-2.22	20-2.60	29-2.43
Affirmative action	1-3.00	0-0.00	1-3.00	8-3.19	15-3.60	23-3.45
Performance(merit)	2-2.25	3-1.00	5-1.50	10-2.45	25-2.10	35-2.20

When surveyed regarding circumstances under which non-tenured faculty have been or would be likely to be retained over tenured instructors, presidents again placed highest priority on program needs followed by performance. Although the top priority concern in a decision to retain a non-tenured professor in one public institution, affirmative action was given a relatively low priority by institutions anticipating retrenchment decisions.

Exigency Planning in Higher Education

In his recent analysis of financial prospects for higher education, Leslie [6,p.15] concludes, "In toto, it is projected that whereas direct government support of higher education institutions will grow at a slow rate in the 1980s, institutional incomes from all sources will continue to grow in the eighties at a rate that is only moderately reduced." Despite the optimism expressed by Leslie, there is little doubt that declines in enrollment and revenue have exerted and will continue to exert, extreme pressure on policy makers. Although increases in revenue may occur on a per pupil basis, many institutions will be confronted with stress produced by the sharp decline in numbers of students enrolled. Additional pressure will continue to be exerted externally by courts and legislatures and internally by students, faculty and staff. The ability to confront these conflicting and compounding demands with constructive and effective policy during the coming decade is likely to be the difference between survival and death of the institution.

Although it is projected that some states will experience greater decline in high school graduates than will others [3], it cannot be assumed that all colleges and universities in those states, or that only institutions in those states, will be affected adversely by those declines. This is evidenced by the high degree of similarity among responses by presidents of institutions in both areas of the country surveyed in this study, and most dramatically by the indication that exigency had been declared by four institutions in states projected to lose as well as by four in states projected to gain high school graduates. It is clear that an era of growth in higher education has ended; declines in student enrollment and revenue have affected institutions throughout the country.

The rapid growth of higher education during the sixties demanded administrative talents associated with expansion of campus facilities and personnel to accommodate increasing numbers of students and expanded course offerings. Conditions of decline during the seventies and eighties, on the other hand, demand very different planning skills predicated on shrinking resources rather than the seemingly ever-growing sources of revenue present in the sixties. Projections and warnings from the AAUP and various studies have been overlooked as institutions have failed to plan for potential exigent conditions.

The paucity of planning efforts during the seventies is evident in responses by presidents surveyed in the study reported in this paper. The lack of formal policy on reduction (only three of the 54 institutions indicated the presence of policy) is in sharp contrast to the relatively higher percentage of institutions (63% of public and 31% of private) which have formal policy on exigency. This difference may be due in part to a desire to maintain maximum flexibility during reduction phases, or may point to a serious lack of planning prior to entering more serious conditions inherent in exigency.

The enactment of policy related to exigency in many institutions may be accounted for by the pressure exerted by faculty bargaining units eminating from guidelines prepared by the AAUP [11], and by the recognition that such crises may loom in the future. Given such a prognosis, institutions must engage in planning for reduction and reallocation prior to the deterioration of conditions to the point where the declaration of financial exigency is necessary.

Reliable indicators of institutional "health" are needed so that colleges and universities can anticipate and plan for potential crises to avoid exigency. Leslie [5] encourages the development of a policy on exigency which first determines for that particular institution the "threshold of stress" beyond which the need for institutional change is clear. Similarly, Moore [7, p.624] observes that policymakers must ascertain from faculty, administrators and trustees their views "as to what point in time exigency exists." Generally defined only in economic terms, exigency policy must be developed and implemented within broader contexts of politics, law, and education within which policy is cast in higher education.

As indicated in this study by differences between actions expected to be taken by institutions who anticipate decline and by those which have undergone reduction, colleges and universities need to develop realistic approaches to counter decline in enrollments and revenue. Institutions which have experimented with various methods should communicate strengths and weaknesses of approaches taken. Cooperative efforts among public and private institutions, perhaps through regional or statewide consortia, will foster such exchanges of information, as is urged by Crossland [4, p.24]:

> What is needed, in my judgment, is a degree of cooperation-of interinstitutional cooperation-far exceeding anything we have known in recent years. Rather than fight among ourselves, we should forthrightly identify what we each can do best, reduce pointless duplications and redundancies, share resources, and work together.

Policy, procedures and criteria for internal program alteration, reduction and reallocation must be developed to make difficult decisions relative to lower priority programs while strengthening and providing

stability or growth for exemplary programs. Necessary initial steps in exigency planning are the determination of primary institutional goals for the next several decades and the development of criteria to identify programs to receive increased (or decreased) funding and to determine which personnel, instructional and non-instructional, are to be retrenched or reallocated to ensure maximum use of resources for institutional needs.

It is clear from the variety of actions taken to increase enrollment, raise revenue and reduce expenditures that no one strategy can be identified to ensure the survival of all colleges and universities. Institutions must continue to seek external funding (e.g., legislative support and development activities), yet must not rely solely on these sources in the future. Effective use of resources within the institution must be included in the plan for survival and growth. Studies of the costs and effectiveness of divisions, departments and support services in terms of the previously defined goals of the institution may lead to a reordering of priorities and the identification of programs to be curtailed, eliminated, or given increased support. The continuation of a relatively more popular policy of "cut and trim" budgets of all divisions and departments could eventually lead to a diminished quality of programs and support services across the campus. Criteria for program reduction and reallocation of funds must be developed to make difficult decisions relative to low priority programs while strengthening and providing stability for necessary and high priority programs. Rather than the "quantitative" growth characteristic of the sixties, the enhancement of high priority programs may lead the institution into a period of "qualitative" growth.

The retrenchment of faculty and staff was cited by presidents as the most likely action to reduce expenditures. By far the most effective method to reduce large amounts of funds due to the highly labor-intensive nature of higher education, the retrenchment of personnel is often the most difficult reduction to accomplish. Potential litigation from adverse personnel decisions, the resulting loss of faculty dedication and effects on staff morale, and the inability to attract and retain high quality faculty point to the importance of the formulation of rational policy on personnel reduction prior to entering a financial crisis.

Responses by presidents indicate that policy on financial exigency is developed with the involvement of faculty at the majority of public and private institutions (see Table 1). Faculty participation in policy development and implementation is encouraged by Alm, Ehrle and Webster [1, p. 159], following their case study of one institution as it coped with decline. They conclude that the best antidote for the trauma associated with reduction "is openness, participation, frankness, and persistent sharing of information. If an administration becomes defensive or secretive, unnecessary and counter productive hostitilities will be generated and released."

Rather than signaling an impending crisis, a deliberate involvement of faculty and staff in policy development may encourage a collegial approach to reduction. In addition, by giving those individuals and departments most likely to be affected an opportunity to participate in the development of criteria for program and personnel reduction, the outcome may be a voluntary redirection of programs in ways to attract and serve new pools of students. Innovation in program offerings and more effective use of personnel may result in institutional growth and improvement despite external pressures.

Recent litigation involving the reduction of personnel under financial exigency provides guidelines for the development of policy. The declaration of exigency must be "demonstrably bonafide", i.e., the termination of tenured faculty cannot be effected unless other alternatives for raising revenue or reducing expenditures have been exhausted (AAUP v. Bloomfield College, 322 A. 2d 846, 1974; Lumpert v. Univ. of Dubuque, 255 N.W. 2d 168, 1977). The burden of proof rests with the administration to demonstrate that their actions are in good faith related to a condition of financial exigency.

Policy on retrenchment or layoff of personnel should "provide employees protection from arbitrary and capricious acts and still give the employer maximum flexibility." [10, p. 70]. The requirement of good faith actions by the courts serve to accomplish this purpose, as is discussed by Petersen [9, p. 432].

> . . . the courts must be sensitive to the burden of persuasion as to the existence of a financial exigency and of a good faith dismissal. First of all, the college must be required to prove that an exigency actually existed if it is going to rely on the existence of a financial exigency and should have the records necessary to prove such a condition. Second, if the institution meets this requirement, then the burden of proof should be on the faculty member to establish that he was dismissed for reasons other than financial exigency.

An institution anticipating a reduction of personnel under financial exigency must avoid "hidden agenda" items if they are to survive scrutiny of the courts. Alm, et al. [1, p. 161] warn that "The financial exigency argument is no place to deal with changing the balance of programs in the institution, trimming out so-called "deadwood," or otherwise influencing the composition of your institution." Rather, a demonstrably bonafide financial exigency must exist to justify the retrenchment of tenured

faculty as an action to reduce expenditures.

Demands associated with reduction and exigency brought on by declining enrollment and revenue are expected to confront colleges and universities throughout the country during the coming decade. As is indicated by responses of presidents of institutions surveyed in this study, various approaches will be taken to increase revenue and student enrollment while reducing expenditures. The thrust of this concluding discussion has been to urge institutions to engage in planning efforts to minimize the effects of decline while strengthening the quality of institutional programs consistent with goals for the future. Internal policy development and external cooperation among public and private colleges and universities are encouraged to enhance institutional chances for survival and growth despite conditions of decline. A planned approach to increasing enrollment and revenue while reducing expenditures will diminish the likelihood of entering financial exigency.

REFERENCES

1. Alm, K.G., E.B. Ehrle and B.R. Webster. "Managing Faculty Reductions." The Journal of Higher Education, 48 (March/April 1977), 153-163.

2. Brown, R.S. "Financial Exigency". AAUP Bulletin, (Spring 1976): 5-19.

3. "Changing Numbers in High School Graduating Classes." The Chronicle of Higher Education, (January 7, 1980), p. 8.

4. Crossland F.E. "Learning to Cope with a Downward Slope." Change, (July/August 1980), 18-25.

5. Leslie, D.W. "Financial Exigency and the Future of the Academy." In Facing Financial Exigency, edited by F.R. Kemerer and R.P. Satryb, pp. 3-15. Lexington, MA: Lexington Books, 1977.

6. Leslie, L.L. "The Financial Prospects for Higher Education in the 1980s." The Journal of Higher Education, 51 (Jan/Feb 1980), 1-17.

7. Moore, M.A. "On Launching into Exigency Planning." The Journal of Higher Education, 49 (Nov/Dec 1978), 620-638.

8. Mortimer, K.P. and M.L. Tierney. The Three "R's" of the Eighties: Reduction, Reallocation and Retrenchment. AAHE-ERIC/Research Report No. 4. Washington, DC: American Association for Higher Education, 1979.

9. Petersen, J.L. "The Dismissal of Tenured Faculty for Reasons of Financial Exigency." Indiana Law Journal, 51 (Winter 1976), 417-432.

10. Satryb, R.P. "Planning for Personnel and Programmatic Retrenchment." In Facing Financial Exigency, edited by F.R. Kemerer and R.P. Satryb, pp. 67-79. Lexington, MA: Lexington Books, 1977.

11. "1976 Recommended Institutional Regulations on Academic Freedom and Tenure." AAUP Policy Documents and Reports. Washington: The American Association of University Professors, 1977, p. 17.